

CALCULATION OF THE 2006 OPERATING INCOME USED IN THE MARCH 1, 2009 AGRICULTURAL LAND BASE RATE

	2006		2006		2006
	Gross Cash Rent		Less Property Taxes		Net Cash Rent
<u>Net Income for Cash Rented Land</u>	<u>\$127</u>		<u>-\$17</u>		\$110

Source or Formula

Purdue Ag. Econ. Report (PAER) for rents & a DLGF Study for taxes

Net Income for Owner-Operated Land November Price Annual Avg. Price Market Year Avg. Price

		2006		2006		2006	
		Corn	Beans	Corn	Beans	Corn	Beans
1	Yield Per Acre in Bushels	157	50	157	50	157	50
2	Price Per Bushel	\$3.01	\$6.10	\$2.39	\$5.82	\$2.00	\$5.78
3	Sales (Gross Income)	\$473	\$305	\$375	\$291	\$314	\$289
4	Less Variable Costs	\$222	\$125	\$222	\$125	\$222	\$125
5	Contribution Margin	\$251	\$180	\$153	\$166	\$92	\$164
6	Plus Government Payments	\$41		\$41		\$41	
7	Total Contribution Margin	\$236		\$180		\$149	

Source or Formula

[Yields are provided by the Indiana Ag Statistics Service](#)

[Prices are provided by the Indiana Ag Statistics Service](#)

Line 1 (Yields) times Line 2 (Prices) = Sales (or Gross Income)

[Variable Costs are taken from the Purdue Crop Guide](#)

Line 3 (Sales) minus Line 4 (Variable Costs) = Contribution Margin

[Data provided by the Indiana Ag Statistics Service.](#)

Line 5 (Corn) plus Line 5 (Beans) plus Line 6 divided by 2

Less Overhead:

8	Annual Machinery	\$52		\$52		\$52	
9	Drying/Handling	\$7		\$7		\$7	
10	Family/Hired Labor	\$39		\$39		\$39	
11	Real Estate Tax	\$17		\$17		\$17	

[Overhead Costs are taken from the Purdue Crop Guide](#)

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[DLGF Study](#)

12	Net ReturnTo Land	\$121		\$65		\$34	
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Line 7 minus Lines 8, 9, 10, 11 = Net Return to Land

13	Net ReturnTo Land-November	\$121					
14	Net ReturnTo Land-Annual Avg.	\$65					
15	Net ReturnTo Land-Market Yr. Avg.	\$34					
16	Net ReturnTo Land - Average		\$73	This is the Net Income for Owner-Operated Land			

Line 12 - November Price

Line 12 - Annual Avg. Price

Line 12 - Market Year Avg. Price

Average of the Lines 13, 14, and 15

	Income		Capitalization Rate		Value
Net Income for Cash Rented Land	\$110	/	8.18%	=	\$1,345
Net Income for Owner-Operated Land	\$73	/	8.18%	=	\$892
Average of the Two Net Incomes	91.5	/	8.18%	=	\$1,119

This number is one of the six years used to calculate the base rate.

As illustrated in the following equation, the market value in use of agricultural land is calculated by dividing the the net income of each acre by the appropriate capitalization rate.

Market Value In Use = Net Income Divided By The Capitalization Rate